

**ONE HUNDRED FOURTH LEGISLATURE - FIRST SESSION - 2015**  
**COMMITTEE STATEMENT**  
**LB448**

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**Hearing Date:** Thursday March 05, 2015  
**Committee On:** Nebraska Retirement Systems  
**Introducer:** Nordquist  
**One Liner:** Make current and new Class V school employees members of the School Employees Retirement System of the State of Nebraska

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**

<b>Aye:</b>	5	Senators Davis, Groene, Kolowski, Mello, Nordquist
<b>Nay:</b>		
<b>Absent:</b>		
<b>Present Not Voting:</b>	1	Senator Kolterman

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**Verbal Testimony:**

**Proponents:**  
Senator Jeremy Nordquist

**Representing:**  
Introducer

**Opponents:**

**Representing:**

**Neutral:**  
Virginia Moon  
John Lindsay  
Orron Hill

**Representing:**  
Nebraska Council of School Administrators  
Omaha Public Schools  
Nebraska Public Employees Retirement Systems

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**Summary of purpose and/or changes:**

LB 448 was introduced as a placeholder bill to begin the discussion regarding the process of merging the Class V (Omaha) School Employees Retirement System with the (statewide) School Employees Retirement System. As introduced, LB 448 would transfer all the current members of the Class V (Omaha) School Employees Retirement System into the School Employees Retirement System on and after an unspecified date. It would also require all regular employees of the Class V school district hired on and after an unspecified date to become members of the School Employees Retirement System.

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**Explanation of amendments:**

The Committee AM 1555 strikes the original sections and makes the following changes:

- Further aligns the benefits of Class V (Omaha) School Employees Retirement System members with the benefits of the statewide School Employees Retirement System
  - Moves investment authority from the Class V (Omaha) School Employees Retirement System board of trustees and Omaha school board to the Nebraska Investment Council
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- Restructures the administration and governance of the Class V (Omaha) School Employees Retirement System to more closely align with the Public Employee Retirement Board's governance of the School Employees Retirement System
- Creates greater State funding parity between the School Employees Retirement System and the Class V (Omaha) School Employees Retirement System

#### Section-by-Section Summary of AM 1555

Strikes the original sections and inserts the following:

Section 1. [amends 72-1237] Adds the Omaha School Employees Retirement System (OSERS) administrator as an ex officio non-voting member of the Nebraska Investment Council (NIC) beginning January 1, 2016; strikes obsolete language (pages 1-2)

Section 2. [amends 72-1239] Beginning January 1, 2016, exempts OSERS administrator from receiving per diem for service on NIC (page 2)

Section 3. [amends 72-1239.01] Adds NIC investment responsibility for OSERS retirement system assets beginning January 1, 2016; NIC members and state investment officer (SIO) are not fiduciaries for investments made by OPS and Trustees, nor are they liable for action or inaction related to investment decisions of trustees or OPS (pages 2-4)

Section 4. [72-1243] Beginning January 1, 2016 SIO directs investment and reinvestment of OSERS retirement system assets; incorporates analysis of OSERS retirement assets as a subject in the NIC annual report which is presented to the Nebraska Retirement Systems Committee each March (pages 4-5)

Section 5. [amends 72-1249] Beginning on the effective date of the Act, expenses with respect to transfer and assumption of investment authority to NIC may be charged against OSERS assets; Class V School Employees Retirement Cash Fund is created for receipt of funds related to transfer and assumption of investment authority to NIC (pages 5-6)

Section 6. [amends 72-1249.02] Beginning on the effective date of the Act, a pro rata share may be charged against the Class V School Employees Retirement Fund and transferred to SIO Cash Fund; approval of the trustees and OPS board not required (pages 6-7)

Section 7. [79-916] Limits State Service Annuity to those employees hired prior to July 1, 2015; adds reference to section regarding state funding of percentage of OSERS actuarial required contribution (ARC) if school plan has ARC (pages 7-9)

Section 8. [79-966] If there is an ARC for the school plan, a state deposit will be made, calculated as a percent of compensation of the OSERS plan; limits payment of state for State Service Annuity to those employees who became members prior to July 1, 2015 (pages 9-11)

Section 9. [79-978] Amends or creates the following definitions:

(2) Board of education definition is clarified

(14) Regular interest definition inserts language from School Employees Retirement Act definition of "regular interest"; beginning September 1, 2015, it is rate based on daily treasury yield curve for one-year treasury securities

(15) Adds definition of interest, which is for purposes of determining purchase of service credit, prior service credit, restored funds and delay payments is the investment return assumption used in the most recent actuarial valuation

(16) Normal retirement date is age 65 with 5 years of service and for employees who become members on or after July 1, 2015 is age 65 with one-half year service

(17) Early retirement for members hired before July 1, 2015 is age 55 with 10 years of service and for members hired on and after July 1, 2015, it is age 60 with 5 years of service

(23) Adds definition of audit year which includes a 4 month year in 2015 and thereafter will be calendar year; audit year is used for preparation of actuarial report and financial audit of the retirement system

(26) Adds definition of Nebraska Investment Council

(26) Adds definition of state investment officer  
(pages 11-15)

Section 10. [amends 79-978.01] incorporates sections 14 and 26 into the Class V School Employees Retirement Act (page 15)

Section 11. [amends 79-979] amends language related to the retirement system assets being held in trust (pages 15-16)

Section 12. [amends 79-980] Beginning July 1, 2015, places the administration of OSERS with the board of trustees (trustees) and changes the membership of the trustees as follows:

- 2 certificated staff - 1 serving initial term of 1 year, 1 serving initial 2-year term
- 1 classified staff serving initial term of 3 years
- 1 annuitant serving initial 4 year term
- superintendent or his or her designee as ex officio voting member
- SIO or his or her designee as non-voting ex officio
- 2 business persons qualified in financial affairs who are not members of the retirement system; appointments approved by OPS

All subsequent terms are 4 years; trustees arrange election of retirement system trustees and may appoint to fill any vacancy on the board of trustees; establishes same board of trustees provisions if there is more than one Class V School Employees Retirement System Board; strikes existing language (pages 16-23)

Section 13. [amends 79-981] Beginning on the effective date of the act, neither the trustees nor the board may establish new rules and regulations for the administration of the retirement system without first consulting the SIO; beginning January 1, 2016, all existing rules and regulations terminate; beginning January 1, 2016, all expenses related to investment of assets will be paid as determined by SIO; beginning January 1, 2016, all contracts for investment assets are assigned to the NIC; OPS must get retirement account information to trustees in a timely manner (pages 23-24)

Section 14. [amends 79-982] Prior to January 1, 2016 investments and reinvestments are subject to approval of the board; beginning effective date of act, trustees administer retirement system and approve (rather than recommend to the board) any changes to the administration of the retirement system essential to the actuarial requirements of the fund (page 24)

Section 15. [NEW SECTION] Investment authority transferred to NIC and SIO on January 1, 2016; trustees administer non-investment affairs of the system including benefits and management of actuarial requirements

On or before July 1, 2015 trustees and SIO enter into plan for transition, which shall address list of items; after the effective date of the act all costs, fees and expenses related to transition of investment authority incurred by NIC and SIO are paid from assets of the retirement system (pages 24-26)

Section 16. [amends 79-983] the administrator of the retirement system is appointed by the trustees and approved by

the OPS, and serves at the pleasure of the trustees; the administrator hires, dismisses and supervises the staff of the retirement system; administrator and staff are employees of OPS with compensation and benefits paid by OPS as determined by trustees; the administrator serves as ex officio non-voting member of the NIC (page 26)

Section 17. [amends 79-984] The trustees contract for services of an actuary who performs duties as assigned by the trustees; selection of actuary is approved by OPS (pages 26-27)

Section 18. [amends 79-985] The trustees may contract for services of a legal advisor to the trustees (page 27)

Section 19. [amends 79-986] Prior to January 1, 2016, the school district serves as treasurer and custodian of the retirement system; beginning January 1, 2016, the State Treasurer serves as treasurer and official custodian of the retirement system cash and securities and approve banks for custodial accounts;

Beginning January 1, 2016, the State Treasurer as treasurer, shall make payments to the school district upon request of the OSERS administrator and as directed by NPERS; the school district shall use payments received from State Treasurer, for purposes as requested in the Act (pages 27-28)

Section 20. [amends 79-987] Annual audit of the retirement system shall be conducted annually each fiscal year and at option of NIC shall be conducted by CPA or State Auditor; costs shall be paid from funds of the system;

Changes date from March 1 to May 1 of each year for the trustees to prepare and file an annual report with the Nebraska Retirement Systems Committee and present the report to the Committee at a public hearing (pages 28-29)

Section 21. [amends 79-989] OPS shall make listed records available as requested by the trustees that are necessary for actuarial study and administration of the system; (pages 29-30)

Section 22. [amends 79-990] Establishes trustees and board responsibilities regarding purchase of military service credit (pages 30-32)

Section 23. [amends 79-991] Interest rate on purchase of service credit established by definition (pages 32-35)

Section 24. [amends 79-992] Interest rate for refunded service established by definition (pages 36-38)

Section 25. [amends 79-996] Strikes language regarding interest rate on purchase of additional service (pages 38)

Section 26. [amends 79-998] Trustees establish rules, regulations and limitation on eligible rollover distributions and direct trustee-to-trustee transfers (pages 38-41)

Section 27. [amends 79-9,100] Employees who are members prior to July 1, 2015 may receive an unreduced annuity at age 62 years with 35 years of creditable service; benefits are reduced 3% per year if age and service do not equal 85;

Receipt of the State Service Annuity is limited to employees who are members prior to July 1, 2015 (pages 41-44)

Section 28. [NEW SECTION] For employees who become members on and after July 1, 2015 benefits are unreduced at age 65 with at least one-half year creditable service, or at age 55 or greater when age plus service equals or exceeds 85; if age 60 with 5 years of services, benefits are reduced 25/100% per month below age 65; all annuities are paid from the Retirement Fund (pages 44-45)

Section 29. [amends 79-9,102] Trustees may deny restoration of creditable service if necessary to comply with the requirements of section 415 of the IRC (pages 45-46)

Section 30. [amends 79-9,103] If the Consumer Price Index-All Urban Consumers is replaced, the trustees shall select a reasonable representative measure of the COLA for retired employees

The medical COLA is not available to persons hired on and after July 1, 2015 (pages 46-52)

Section 31. [amends 79-9,104] strikes language declared unconstitutional regarding attachment of pension benefits (pages 52-54)

Section 32. [amends 79-9,107] Funds of the retirement system not required for current operations are invested and reinvested by the trustees with the approval of the board prior to January 1, 2016; after that date, the NIC and SIO shall invest and reinvest funds in accordance with the Nebraska State Funds Investment Act; no trustee, board member or NIC member shall become an endorser or surety for money loaned by or borrowed from the retirement system (page 54)

Section 33. [amends 79-9,108] Beginning January 1, 2016, the NIC and SIO shall invest and reinvest funds in accordance with the Nebraska State Funds Investment Act; after that date the funds of the retirement system may employ advisors and managers in accordance with the Nebraska State Funds Investment Act; beginning January 1, 2016 the trustees, OPS shall not have any duty responsibility or authority for investment or reinvestment of funds (pages 54-55)

Section 34. [amends 79-9,109] Beginning January 1, 2016, the duty, responsibility and authority under this section shall be transferred to the NIC, which may delegate such duty, responsibility and authority to the SIO (pages 55-56)

Section 35. [amends 79-9,111] Beginning January 1, 2016, the funds of the retirement system shall be invested solely by the NIC and state investment officer in accordance with the Nebraska State Funds Investment Act, including 79-1239.01(3) and 72-1246; the state investment officer may lend securities and vote proxies in accordance with the standard in 72-1246 (page 56-57)

Section 36. [amends 79-9,113] Inserts definition of solvency for purposes of determining the contributions of the school district in any fiscal year; strikes trustee recommendation from contribution made by board; requires the employees' contributions to be immediately transmitted to the account of the retirement system;

Employees who become members on and after July 1, 2015 shall not receive the State Service Annuity (page 57-61)

Section 37. [amends 79-9,115] inserts title of the retirement fund as the Class V School Employees Retirement Fund; the administrator and staff of the retirement system shall be permitted reasonable office and records storage space in the central office building; all expenses of the retirement system office shall be charged to retirement system.

Beginning on the effective date of the act, any expenses with respect to the transfer and assumption of investment authority by the NIC and SIO shall be paid from the Class V School Employees Retirement Fund without approval of OPS or trustees (page 62)

Section 38. [amends 79-9,117] the trustees shall establish a comprehensive preretirement planning program for school employees (pages 62-63)

Section 39. [NEW SECTION] Creates the Class V Retirement System Payment Processing Fund to transfer funds as specified in 79-986; NPERS, PERB, NIC, State Treasurer or employees of these entities have no responsibility to review or verify accuracy of requests, or any liability arising from payments (page 64)

Section 40. [amends 84-1503] adds to list of PERB duties and authority to direct the State Treasurer to transfer OSERS funds for the benefit of the Class V School Employees Retirement System in order to implement 79-986 (pages 64-69)

Section 41. Severability clause (page 69)

Section 42. Repeals sections amended by the bill (page 69)

Section 43. Outright repeals obsolete section 79-988.01 (state contribution which ceased after fiscal year 2013-14 for purchasing power cost-of-living adjustment) (page 70)

Section 44. Emergency clause (page 70)

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Jeremy Nordquist, Chairperson